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Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 EB-11 COME-00 TRSE-00 INT-08

SCEM-02 NEA-10 OMB-01 DRC-01 /169 W
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R 061857Z DEC 73
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 6206
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY THE HAGUE
USMISSION EC BRUSSELS
USMISSION OECD PARIS

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E.O. 11652: N/A
TAGS: ENRG, UK
SUBJECT: FINANCIAL TIMES URGES GASOLINE RATIONING, INCREASED GASOLINE TAX AND CREATION OF SEPARATE MINISTRY OF FUEL AND POWER

1. DECEMBER 5 FINANCIAL TIMES EDITORIAL "TIME FOR SOME ACTION", CRITICIZES BRITISH GOVERNMENT'S HANDLING OF OIL SITUATION THUS FAR. FT CONCEDES MODERATE ACROSS-THE-BOARD CUTS IN ALLOCATIONS AND BELATED ISSUANCE OF GASOLINE COUPONS (WITHOUT DECISION TO ACTUALLY RATION) HAS BEGUN BUT FINDS JARRING GENERAL IMPRESSION WHICH HMG CONTINUES TO GIVE THAT STOCKS
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ARE COMFORTABLY HIGH, SUPPLIES WILL NOT BE UNDULY

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AFFECTED AND ECONOMIC GROWTH IS TO PROCEED ALONG MUCH SAME PATH SKETCHED OUT BEFORE OIL CRISIS DEVELOPED. ONE PARTIAL, RATIONAL EXPLANATION FOR APPARENT DISCREPANCY BETWEEN HMG OPTOMISM AND FACTS IS THAT PRECISE INTENTIONS OF ARAB PRODUCERS ARE UNCLEAR. WISH OF SOME PRODUCERS TO IMPOSE SELECTIVE BOYCOTT NOT ONLY RUNS COUNTER TO COMMON INTEREST OF INDUSTRIALIZED WEST BUT CREATES HUGE PROBLEMS FOR HIGHLY-INTEGRATED INTERNATIONAL SYSTEM OF REFINING AND DISTRIBUTION. SINCE IT WOULD BE NEITHER DIPLOMATICALLY SENSIBLE NOR TECHNICALLY STRAIGHTFORWARD EITHER TO FALL IN WITH POLICIES PROMOTED BY LEADING ARAB PRODUCERS OR FLOUT THEM OPENLY, CERTAIN AMOUNT OF SECRECY AND CONFUSION ARE INEVITABLE.

2. FT STATES THIS IS NOT ENOUGH HOWEVER TO ACCOUNT FOR HMG'S FAILURE TO ALERT COUNTRY TO REAL SIZE OF POTENTIAL DANGER WHICH IT FACES WHILE STOCKS ARE RUN DOWN OR TO TAKE STEPS NECESSARY TO MEET IT. ONE IS FORCED TO CONCLUDE EXCESS OF MINISTERIAL OPTIMISM, RELUCTANCE TO ADMIT GOVERNMENT'S PLAN FOR ENCOURAGING FASTERECONOMIC GROWTH HAS RECEIVED FURTHER SETBACK AND SHEER SIZE OF DEPARTMENT OF TRADE AND INDUSTRY HAVE PLAYED A PART IN SH SHAPING OFFICIAL ATTITUDE.

3. BASED ON THIS REASONING, FT SUGGESTS THREE MEASURES BE INTRODUCED AS A MATTER OF URGENCY. FT FIRST URGES RATIONING OF GASOLINE BE INTRODUCED AS SOON AS PHYSICALLY POSSIBLE. IF FUTURE IS AS BRIGHT AS SOME MINISTERS IMPLY, ALLOCATIONS CAN BE CORRESPONDINGLY GENEROUS. IF NOT, IT CAN BE REDUCED: PRESENT UNCONTROLLED SCRAMBLE IS WASTEFUL AND ABSURD. AT SOME TIME, LARGER ACROSS-THE-BOARD CUTS IN OTHER PETROLEUM PRODUCT DELIVERIES SHOULD BE CONSIDERED WHILE STOCKS ARE ADEQUATE.

4. FT THEN URGES ON TOP OF PRICE INCREASES WHICH ARE

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INEVITABLE A FURTHER TAX BE IMPOSED ON OIL PRODUCTS
BOTH TO ENCOURAGE ECONOMY AND REDUCE DEMAND. WHETHER
DONE BY TAX OR PRICE INCREASES DEPENDS ON HMG'S OWN
ASSESSMENT OF COURSE OF STAGE THREE (WAGE-PRICE CONTROLS)
AND SCOPE FOR KEEPING PRICE INCREASES DUE DIRECTLY TO
OIL CRISIS OUT OF INDEX WHICH TRIGGERS THRESHOLD AGREE-
MENTS.

4. FT FINALLY RECOMMENDS MINISTRY OF FUEL AND POWER,
WITH A MINISTER OF SENIOR CABINET RANK TO HEAD IT,
SHOULD BE RECONSTITUTED AS ENTITY SEPARATE FROM
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DEPARTMENT OF TRADE AND INDUSTRY. IMMEDIATE CRISIS
CALLS FOR URGENT ACTION: NEED FOR MINISTRY SPECIFICALLY
CONCERNED WITH LONG TERM MANAGEMENT OF FUEL RESOURCES
HAS BEEN UNDERLINED BY ARAB ACTION AND WILL PERSIST
WHEN CRISIS IS OVER. SO FAR AS OVERSEAS SUPPLIERS OF
OIL ARE CONCERNED THERE WILL NOW BE A MUCH MORE DIRECT
RELATION BETWEEN GOVERNMENTS OF PRODUCING AND CONSUMING
COUNTRIES. ON NORTH SEA OIL, TREASURY HAS ALREADY
ADMITTED VALIDITY OF STRONG CRITICISMS MADE BY
PARLIAMENTARY COMMITTEE OF HMG'S HANDLING OF THESE

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RESOURCES WHOSE VALUE TO COUNTRY WAS GREAT BEFORE AND
IS NOW IMMENSE.

5. FT ALSO BELIEVES LONG-TERM DEVELOPMENT OF COAL
INDUSTRY DESERVES FULL TIME ATTENTION OF SENIOR
MINISTER. SIMILARY, ELECTRICITY INDUSTRY AND IN
NUCLEAR FIELD MAJOR DECISIONS OF LASTING IMPORTANCE
CANNOT BE DELAYED MUCH LONGER. FT SAYS PRIME MINISTERS
RESHUFFLE OF MINISTERS WILL SEEM MOVE RELEVANT WHEN
IT TAKES ACCOUNT OF PROBLEMS NOT RECEIVING URGENT
ATTENTION THEY DEMAND.

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